

CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY

Minutes of Meeting of Board of Directors March 7, 2018

The Board of Directors (the "Board") of the Central Harris County Regional Water Authority (the "Authority") met in regular session, open to the public on March 7, 2018, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board, as follows:

Margaret L. Cox, President
Julian F. Boddy, Vice President
David Granadino, Secretary
Tom Gower, Assistant Secretary
Richard C. Meek, Assistant Secretary

and all of said persons were present, except Director Granadino, thus constituting a quorum.

Also present were Marcel Khouw, P.E. of IDS Engineering Group, Inc. ("IDS"), engineer for the Authority; Rose Montalbano of F. Matuska, Inc. ("Matuska"), bookkeeper for the Authority; Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"), operator for the Authority; Linda S. Watkins of Fallbrook Utility District ("Fallbrook"); Lathan E. Johnson of Rankin Road West Municipal Utility District ("Rankin Road"); Ryan Casey of Jones & Carter, Inc., representing Harris County Municipal Utility District No. 200 ("No. 200"); Marian Henderson of Harris County Municipal Utility District No. 217 ("No. 217"); Adrian Brown of Harris County Municipal Utility District No. 150 ("No. 150"); and Abraham I. Rubinsky of Schwartz, Page & Harding, L.L.P. ("SPH"), attorneys for the Authority.

The President called the meeting to order and declared it open for such business as might properly come before it.

APPROVAL OF MINUTES

As the first order of business, the Board considered approval of the minutes of its meeting held February 7, 2018. After discussion, Director Gower moved that the minutes of the meeting held February 7, 2018, be approved as written. Director Boddy seconded said motion, which unanimously carried.

PUBLIC COMMENTS

The Board opened the meeting for public comments. There were no comments received from the public in attendance at the meeting.

BOOKKEEPER'S REPORT

Ms. Montalbano next presented to and reviewed in detail with the Board the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit A**, including the Summary of Cash Transactions for the Authority's various funds for the period February 1, 2018 through March 7, 2018, and the checks and wire transfers presented for payment from the General Fund, the Series 2008 Capital Projects Fund, and the Series 2015 Capital Projects Fund, a Summary of Investments, a Statement of Revenues and Expenditures for the month of January 2018 and the first month of the Authority's fiscal year ended December 31, 2017, and a Summary of Pumpage Fees Paid by Member Districts through January 2018. Ms. Montalbano reviewed the status and activity in each of the Authority's accounts and discussed certain transactions with the Board. She noted that Cash Call 6B in the amount of \$549,354.21 for proposed Early Work Package ("EWP") No. 2 in connection with the Northeast Water Purification Plant ("NEWPP") Expansion Project was paid to the City of Houston (the "City") from the Series 2015 Capital Projects Fund on March 1, 2018, as authorized by the Board at its last meeting. Ms. Montalbano also advised the Board that pumpage fees due for the month of January 2018 had been received today from No. 217 and No. 150. After discussion, Director Gower moved that the Bookkeeper's Report be approved and that the disbursements listed therein be approved for payment. Director Boddy seconded said motion, which unanimously carried.

Ms. Matuska next presented to and reviewed with the Board the Authority's Quarterly Investment Reports for the periods ended June 30, 2017, September 30, 2017, and December 31, 2017, copies of which are attached hereto as **Exhibit B**. After discussion, it was moved by Director Gower, seconded by Director Boddy and unanimously carried, that said Quarterly Investment Reports be approved and that the Authority's Investment Officer be authorized to execute same on behalf of the Board and the Authority.

FINANCIAL ADVISOR'S REPORT

The Board next discussed financial matters of the Authority, including the status of communications with the City of Houston ("City") regarding the City's FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017 True Up Reports related to Operations and Maintenance of the City's NEWPP. Mr. Rubinsky advised that he had nothing new to report concerning the subject True Up Reports.

Mr. Rubinsky addressed the Board concerning the status of the Abridged Applications for financial assistance from the State Water Implementation Fund for Texas ("SWIFT") in connection with (i) the additional funds required for the City's NEWPP Expansion Project in the amount of \$7,580,900, and (ii) the Luce Bayou Interbasin Transfer Project in the amount of \$1,500,000, which were filed with the Texas Water Development Board ("TWDB") on February 1, 2018. In that regard, he reported that IDS and SPH have responded to various inquiries from the TWDB and that the Abridged Applications are still undergoing the review process.

ENGINEER'S REPORT

Mr. Khouw next presented to and reviewed with the Board a written Engineer's Report dated March 7, 2018, a copy of which is attached hereto as **Exhibit C**, and updated the Board on the status of various matters of interest to the Authority.

Messrs. Khouw and Martin reported to the Board regarding ground water usage, surface water usage, and total water usage, as well as the Harris-Galveston Subsidence District (the "HGSD") permit requirements, as detailed in the Engineer's Report. Mr. Khouw advised that Mr. Martin had more current information to report later in the meeting.

In connection with the extension of an Authority surface water supply line to No. 304's Water Plant, Mr. Khouw reported IDS will begin advertising for bids tomorrow, with a bid opening to be held on March 29, 2017. Mr. Khouw advised that he should have a recommendation for the award of a contract for the project for the Board's consideration at its April 2018 meeting.

Mr. Khouw advised the Board that he had no new activity upon which to report regarding No. 217's possible abandonment of its water well due to continuing arsenic and volatile organic compound issues with the well.

Mr. Khouw reported that the Annual Water Pumpage Report had been submitted to the HGSD, as well as an application for renewal of the Authority's Water Well Permit, as detailed in the Engineer's Report. Mr. Khouw further advised the Board that MOC submitted the Survey of Ground and Surface Water Usage for the year ended December 31, 2017, to the TWDB on behalf of the Authority prior to the March 1, 2017 due date.

Mr. Khouw next discussed in detail the repair of the City's 66-inch surface water transmission line, as detailed in the Engineer's Report, which the City initially believed had been damaged during construction of the Beltway 8 overpass. Mr. Khouw advised the Board that the City determined that the line was actually leaking from a cased section located under the Beltway 8 frontage road and not from the section located under the overpass. He reported that the line was taken out of service by the City on March 2, 2018 and repaired on March 4, 2018. Mr. Rubinsky then discussed in detail the arrangements made with No. 200 to pump groundwater into the Authority's system, which was then provided by the Authority to No. 150 and to No. 217 while the water from the City was shut off during the repair of the line. Mr. Khouw reported that the Authority went back on surface water from the City this morning. Mr. Rubinsky then discussed the need for a formal letter agreement with No. 200 detailing the terms of the sale of groundwater to the Authority for re-sale and distribution to Nos. 150 and 217. The Board took no action regarding this matter until further discussion later in the meeting.

Mr. Khouw addressed the Board concerning the status of the NEWPP Expansion Project, as further detailed in the Engineer's Report.

Mr. Khouw next reported to the Board concerning the status of Phase I of the Northeast Transmission Line, as further detailed in the Engineer's Report, including the receipt of an

invoice from the City for Segment 2 construction (the three by-pass segments) in the amount of \$1,715,477.10. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that payment of the invoice prior to the March 23, 2018, due date be approved by the Board.

Mr. Khouw advised the Board that he had no new activity upon which to report with respect to Phase II of the Northeast Transmission Line. He noted, however, that the attorneys are continuing to work on the new Joint Surface Water Transmission Facilities Agreement between the Authority and the North Harris County Regional Water Authority ("NHCRWA").

Mr. Khouw next reported to the Board regarding the proposed alignment of the 2025 Internal Distribution System lines, as further detailed in the Engineer's Report.

Mr. Khouw advised the Board that the water quality management study and blending study being performed by AOS Treatment Solutions, LLC is currently on hold pending a meeting with the NEWPP Program Advisor/Technical Consultant to discuss the water quality analyses. Mr. Khouw noted that the Authority may need to construct its own pump station in the future.

Mr. Khouw next addressed the Board concerning the Luce Bayou Interbasin Transfer Project, as further detailed in the Engineer's Report.

ISSUANCE OF SURFACE WATER COMMITMENTS TO MEMBER DISTRICTS

The Board next deferred action regarding the issuance of surface water commitments to those Member Districts that have been converted to surface water in accordance with the terms of the Authority's Rate Order, including Rankin Road, No. 217, No. 150 and No. 200, pending the receipt of updated water usage demand requirements from the Member Districts.

OPERATOR'S REPORT

Mr. Martin presented to and reviewed with the Board a written Operator's Report for February 2018, a copy of which is attached hereto as **Exhibit D**.

Mr. Martin reported to the Board regarding the percentage of surface water usage within the Authority for the current month, as well as surface water accountability for the permit year to date, as reflected in the Operator's Report.

Mr. Martin next discussed in detail the Authority's supply of groundwater to Nos. 150 and 217 last week during the City's repair of its 66-inch surface water transmission line.

With respect to the evaluation of programs and equipment for the remote monitoring and reading of the Authority's surface water meters and Member Districts' water well meters, Messrs. Martin and Khouw advised the Board that the West Harris County Regional Water Authority (the "WHCRWA") had selected a remote monitoring system offered by Badger Meter, Inc.

("Badger"). Mr. Khouw stated that he will discuss the Badger system further with representatives of the WHCRWA.

Mr. Martin reminded the Board the installation of the custom-made enclosures for the Authority's meters and cl-vals will be performed under the contract for the construction of the surface water supply line to serve No. 304.

GOVERNMENT AFFAIRS UPDATE

Mr. Rubinsky next presented to and reviewed with the Board a Government Affairs Update received from C.J. Tredway dated March 7, 2018, a copy of which is attached hereto as **Exhibit E**. The Board concurred that no action was required in connection with said Update at this time.

APPROVAL AND EXECUTION OF PROPOSALS FOR RENEWAL OF INSURANCE COVERAGES

The Board next considered the approval of a proposal for the renewal of the Authority's insurance coverages for the policies expiring March 31, 2018. In connection therewith, Director Meek discussed with the Board the insurance proposal received from HARCO Insurance Services, agent for the Texas Municipal League's ("TML") Intergovernmental Risk Pool, relative to the Authority's property/equipment breakdown, general liability, pollution liability, auto liability, and director's and officer's liability insurance policies, and the public officials bond and consultants bond coverage. Director Meek then recommended that the Authority renew its insurance coverage with TML and that the Board accept TML's proposal in connection therewith, including an increase in director's and officer's liability coverage from \$1,000,000/\$2,000,000 aggregate to \$3,000,000/\$6,000,000 aggregate for an additional \$98.00 premium. After discussion on the matter, Director Gower moved that the TML insurance proposal be accepted as recommended by Director Meek, including the increased directors and officers liability coverage as reflected above, and that the President be authorized to execute same on behalf of the Board and the Authority. Director Boddy seconded said motion, which unanimously carried. A copy of said proposal is attached hereto as **Exhibit F**.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky addressed the Board further concerning the need for a formal letter agreement between the Authority and No. 200 regarding the terms of No. 200's sale of groundwater to the Authority for re-sale and distribution to Nos. 150 and 217 while the water from the City was shut off during the repair of the City's 66-inch surface water transmission line, as discussed earlier in the meeting. After discussion, it was moved by Director Gower, seconded by Director Meek and unanimously carried, that SPH be authorized to prepare such a letter agreement for execution by the Authority and No. 200.

Mr. Rubinsky next addressed the Board regarding the correspondence that was received from the City on January 29, 2018, regarding public notification requirements relating to chlorine residual "violations" which occurred in October, November and December 2017, as

discussed at the last meeting. Mr. Rubinsky advised the Board of the extensive discussions which followed since the last meeting with representatives of the Texas Commission on Environmental Quality (the "TCEQ") and the other regional water authorities (the "RWA's") regarding a Consecutive Water System Notice received from the City and whether the RWA's, who disinfect/retreat and repump water received from the City, are required to send out a similar notice to all customers of the RWA's. Mr. Rubinsky further advised the Board that the Authority, the NHCRWA, the WHCRWA and the North Fort Bend Water Authority sent joint correspondence to the Executive Director of the TCEQ on February 23, 2018, requesting a waiver of such notification requirements. Mr. Rubinsky reported that the TCEQ issued correspondence on February 27, 2018, granting a variance to, but not a waiver of, the notification requirements. He advised that the Authority will be required to provide either a copy of the Consecutive Systems Public Notice provided by the City on January 26, 2018, or a public notice template developed by the TCEQ addressing the situation, to the Member Districts of the Authority that received surface water from the Authority during 2017, when it provides said entities with the Authority's 2017 Water Quality Data due by April 1, 2018. The Board authorized SPH to work with MOC to provide the subject notice as required by the TCEQ.

2018 DIRECTOR APPOINTMENT PROCESS AND CALCULATION OF VOTING PERCENTAGES

Mr. Rubinsky next discussed with the Board the status of the Authority's 2018 Director Appointment Process, including the status of receipt of nominating resolutions. Mr. Rubinsky advised the Board that SPH had received a formal Resolution from Harris County Municipal Utility District No. 33 nominating Director Cox to continue to serve in the Director Precinct No. 1 position and from No. 200 nominating Director Gower to continue to serve in the Director Precinct No. 3 position and Director Meek to continue to serve in the Director At-Large (Position No. 2) position. Mr. Rubinsky advised that the nomination period ended on February 15, 2018. Mr. Khouw then reported on the status of the 2017 well pumpage totals required in order to finalize the voting percentages in connection with the Authority's 2018 Director Appointment Process.

The Board next considered adoption of an Order Declaring Unopposed Nominees Elected to Board of Directors. Mr. Rubinsky advised that, in accordance with the authorization granted in the Authority's creation legislation, the Board is authorized to declare unopposed candidates to be elected. As noted above, Mr. Rubinsky reiterated that Resolutions were received nominating Director Cox for the Director Precinct No. 1 position, Director Gower for the Director Precinct No. 3 position, and Director Meek for the Director At-Large (Position No. 2) position, and that no other nominations were received by the applicable deadline. Therefore, Directors Cox, Gower and Meek were unopposed with respect to the positions for which they were nominated. Mr. Rubinsky then presented a written Order Declaring Unopposed Nominees Elected to Board of Directors, which is attached hereto as **Exhibit G**. After discussion, Director Boddy moved that the Order be adopted by the Board declaring Margaret L. Cox, Tom Gower and Richard C. Meek appointed to the positions for which they were nominated for terms expiring on May 15, 2022, and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the Authority. Director Gower seconded said motion, which carried

unanimously. Mr. Rubinsky noted that Directors Cox, Gower and Meek would be formally re-seated at the Board's meeting to be held in June 2018.

DISCUSSION REGARDING STATUS OF WEBSITE DESIGN FOR THE AUTHORITY BY THE TEXAS NETWORK, LLC ("TTN")

Mr. Rubinsky next advised the Board that he had no new activity to report regarding the Authority's website.

CLOSED SESSION PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.071 AND SECTION 551.072

The Board determined that it would not be necessary at this time to convene in Closed Session.

ITEMS TO BE PLACED ON NEXT AGENDA PERTINENT TO THE AUTHORITY

The Board considered items for placement on future agendas. Except as may be reflected above, there were no additional agenda items requested other than routine, ongoing matters.

Mr. Rubinsky noted that the next meeting of the Board is scheduled for Wednesday, April 4, 2018, at 6:00 p.m.

ADJOURN MEETING

There being no further business to come before the meeting, it was unanimously carried that the meeting be adjourned.



Tom Gower, Assistant Secretary
Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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| <u>Exhibit A</u> | Bookkeeper's Report |
| <u>Exhibit B</u> | Quarterly Investment Reports for the periods ended June 30, 2017, September 30, 2017, and December 31, 2017 |
| <u>Exhibit C</u> | Engineer's Report |
| <u>Exhibit D</u> | Operator's Report |
| <u>Exhibit E</u> | Government Affairs Update |
| <u>Exhibit G</u> | HARCO Insurance Services Proposal for 2018-2019 term |